

LYON COUNTY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2008

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LYON COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Behrens	Board of Supervisors	December 31, 2008
Merle Koedam	Board of Supervisors	December 31, 2008
Randy Bosch	Board of Supervisors	December 31, 2010
Craig Block	Board of Supervisors	December 31, 2010
Steve Michael	Board of Supervisors	December 31, 2010
Wayne Grooters	County Auditor	December 31, 2008
Richard Heidloff	County Treasurer	December 31, 2010
Eldon Kruse	County Recorder	December 31, 2010
Blythe Bloemendaal	County Sheriff	December 31, 2008
Carl Petersen	County Attorney	December 31, 2010
Fred Christians	County Assessor	December 31, 2009
Lisa Rockhill	County Central Point Coordinator	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	Indefinite
Kandace Koll	County Health Services Administrator	Indefinite
Glenn Anderson	County Economic Development Director	Indefinite

DE NOBLE & COMPANY PC

Certified Public Accountants

MEMBERS

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Independent Auditor's Report

To the Officials of Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Lyon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009 on our consideration of Lyon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lyon County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three fiscal years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Siebrecht Spitler & De Noble PC (Siebrecht Spitler & De Noble PC was formally dissolved and De Noble & Company PC is one of the two new companies that were formed directly from this dissolution) previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein). Siebrecht Spitler & De Noble PC expressed unqualified opinions on the fiscal year ended June 30, 2004 financial statements and expressed a qualified opinion on the fiscal year ended June 30, 2003 financial statements. Siebrecht Spitler & De Noble PC qualified their opinion for the fiscal year ended June 30, 2003 based on the fact they were unable to audit the financial statements supporting the financial activities of the Lyon County Conservation Foundation Fund. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 25, 2009

MANAGEMENT'S DISCUSSION & ANALYSIS

Lyon County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FISCAL YEAR 2008 FINANCIAL HIGHLIGHTS

- The County's governmental fund revenues for fiscal year 2008 were \$10,332,142 compared to \$10,265,274 in fiscal year 2007, an increase of \$ 66,868, or .7%. Property and other county tax for fiscal year 2008 were \$4,365,804 compared to \$4,347,480 in fiscal year 2007, an increase of \$18,324, or .4%. Other revenue classifications with larger increases included intergovernmental and charges for service. Use of money and property and miscellaneous were the revenue classifications that had larger decreases.
- The County's governmental fund expenditures for fiscal year 2008 were \$9,564,482, compared to \$9,812,995 in fiscal year 2007, a decrease of \$248,513, or 2.5%. Expenditure function classifications with larger increases included public safety and legal services, physical health and social services, mental health and administration. Roads and transportation and capital projects were expenditure functions that had large decreases.
- The County's government-wide net assets for governmental activities for fiscal year 2008 were \$25,554,661 compared to \$24,370,468 in fiscal year 2007, an increase of \$1,184,193, or 4.8%.
- Revenues of the County's governmental activities decreased by \$1,274,023, or 10.4%. The decrease was due mainly to a reduction in capital grants, contributions and restricted interest.
- Expenses of the County's governmental activities increased by \$147,555, or 1.5%. The largest increase in expenses was in the mental health function.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lyon County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lyon County's

operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lyon County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information further provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current activities, interest on long-term debt and small capital (noncapitalized) projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are

reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary Funds account for the County's Internal Service Fund, Employee Group Health. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

- 3) Fiduciary Funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 Funds, Emergency Management Services Fund, County Assessor's Funds, and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Lyon County's combined net assets increased \$1,184,193, or 4.8% during this fiscal year. The analysis that follows focuses on the changes in the net assets for governmental activities from a year ago.

Statement of Net Assets Government –Wide Activities		
	June 30, 2008	June 30, 2007
Current and Other Assets	\$11,620,372	10,425,561
Capital Assets	20,530,784	20,875,158
Total Assets	32,151,156	31,300,719
Other Liabilities	4,511,887	4,649,991
Long-Term Liabilities	2,084,608	2,280,260
Total Liabilities	6,596,495	6,930,251

Net Assets:

Invested in Capital Assets, Net of Related Debt	18,636,674	18,805,314
Restricted	4,251,843	3,118,614
Unrestricted	2,666,144	2,446,540
Total Net Assets	\$ 25,554,661	24,370,468

Current and other assets increased mainly due to the amount of cash and pooled investments and amounts due from other governments. Other liabilities decreased mainly due to a reduction in accounts payable. Long-term liabilities decreased due to payments made on existing long-term debt.

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$219,604, or 8.9%, during this fiscal year.

Changes in Net Assets of Governmental Activities

	Year ended June 30, 2008	Year ended June 30, 2007
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,456,119	1,413,738
Operating Grants, Contributions and Restricted Interest	4,115,840	3,762,238
Capital Grants, Contributions and Restricted Interest	336,452	1,997,292
General Revenues:		
Property Tax Levied for:		
General Purposes	3,692,616	3,666,374
Debt Service	231,114	227,945
Tax Incremental Financing Revenues	17,915	17,213
Penalty and Interest on Property Tax	19,218	22,041
State Tax Credits	220,628	219,591
Local Option Sales Tax	442,135	453,163
Grants and Contributions not Restricted to Specific Purposes	53,589	36,525
Unrestricted Investment Earnings	274,877	286,525
Rents	43,383	41,100
Other General Revenues	31,884	66,048
Total Revenues	10,935,770	12,209,793

Program Expenses:

Public Safety and Legal Services	2,265,187	2,233,659
Physical Health and Social Services	723,335	678,590
Mental Health	1,065,745	984,250
County Environment and Education	717,255	680,794
Roads and Transportation	3,620,980	3,587,093
Governmental Services to Residents	379,410	348,979
Administration	821,709	814,758
Non-Program Current	17,915	17,213
Interest on Long-Term Debt	83,743	90,159
Capital Projects	56,298	168,527
Total Expenses	9,751,577	9,604,022
Increase in Net Assets	1,184,193	2,605,771
Net Assets Beginning of Year	24,370,468	21,764,697
Net Assets End of Year	\$ 25,554,661	24,370,468

Lyon County decreased the countywide property tax rate by \$0.02557 per \$1,000 of valuation and decreased the rural property tax rate by .07012 per \$1,000 of valuation. Taxable value by levy, actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	Taxes Levied Fiscal Year 2008 Audit Fiscal Year	Taxes Levied Fiscal Year 2007 Prior Fiscal Year
Countywide Taxable Valuation	\$ 499,802,094	\$ 492,338,833
Countywide Levy Rate Without Debt Service	5.17108	5.19573
Dollars Levied Without Debt	\$ 2,584,516	\$ 2,558,059
Countywide Taxable Valuation for Debt Service	\$ 509,735,486	\$ 501,828,733
Countywide Debt Service Levy	0.47154	0.47246
Dollars Levied for Debt Service	\$ 240,361	\$ 237,094
Total Countywide Levy Rate	5.64262	5.66819
Total Dollars Levied Countywide	\$ 2,824,877	\$ 2,795,153
Rural Taxable Valuation	\$ 367,391,981	\$ 359,466,942
Rural Service Tax Levy	3.41488	3.48500
Dollars Levied for Rural Area Only	\$ 1,254,600	\$ 1,252,742
Total Dollars Levied	\$ 4,079,477	\$ 4,047,895

*Note taxable valuation is value without Gas & Electric Utilities

Taxable Valuation History

Fiscal Year	Based on January 1st values	Countywide Valuation	Debt Service Valuation	Rural Service Valuation
FY 2007/2008	January 1, 2006	499,802,094	509,735,486	367,391,981
FY 2006/2007	January 1, 2005	492,338,833	501,828,733	359,466,942
FY 2005/2006	January 1, 2004	447,077,945	454,922,084	324,204,340
FY 2004/2005	January 1, 2003	442,415,580	450,267,510	321,739,429
FY 2003/2004	January 1, 2002	509,898,393	516,207,605	383,207,434
FY 2002/2003	January 1, 2001	501,029,153	505,341,538	376,294,755
FY 2001/2002	January 1, 2000	499,872,106	503,854,868	377,630,000
FY 2000/2001	January 1, 1999	482,739,583	486,234,877	363,003,857

- Lyon County's fiscal year 2008 countywide taxable valuation (without utilities) increased \$7,463,261 or 1.5% from fiscal year 2007; the debt service taxable valuation increased \$7,906,753, or 1.6% from fiscal year 2007; and the rural service valuation increased \$7,925,039, or 2.2% from fiscal year 2007.
- Taxable value is the property value used for computing property taxes. It is the fully assessed valuation reduced by any applicable tax abatement and statewide rollback factors. Residential, commercial and industrial property is based on Fair Market Value and Agricultural property is based on productivity and net earnings capacity value. Lyon County's valuations decreased sharply in fiscal year 2005 due to the Iowa Department of Revenue's productivity formula on agricultural property. Each county has an average productivity value. This value is based on a 5-year average of annual Iowa Crop and Livestock Reporting Service census data. Iowa Code Section 441.21(1)e states "value of agricultural property shall be determined on the basis of productivity and net earnings capacity.....applied uniformly among counties and among classes of property". The fiscal year 2008 valuations are now just nearing the valuation for fiscal year 2004.
- Lyon County farmland sales prices continue to rise. Land has been selling anywhere from \$3,000 an acre to \$7,000 an acre; with an average sale at approximately \$5,000 an acre.
- The amount of the costs financed by users (charges for services) increased by \$42,381, or 3.0%. The largest increases were revenues generated by public safety and legal services, physical health and social services and governmental services to residents.
- Operating grants, contributions and restricted interest increased by \$353,602, or 9.4%. The largest increases were for revenues generated by mental health, county environmental and education, and roads and transportation.
- Capital grants, contributions and restricted interest decreased by \$1,660,840, or 83.2%. The large decrease was due to a decline in Iowa Department of Transportation contributions generated by roads and transportation.
- Property and other county tax revenues increased by \$29,411, or 0.8%.
- Grants and contributions not restricted to specific purposes revenues increased by \$17,064, or 46.7%.

- Other general revenues, due mainly to a reduction in gain on disposal of capital assets, decreased by \$34,164 or 51.7%.
- The cost of all governmental activities this year increased by \$147,555, or 1.5%. Expenses for most of the functions expenses increased during the fiscal year. The mental health function increased by \$81,495, or 8.3%. The only function with a large decrease was capital projects. Capital projects decreased by \$112,229, or 66.6%.

INDIVIDUAL MAJOR FUND ANALYSIS

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed fiscal year 2008, its Governmental Funds reported a combined fund balance of \$5,748,651. This is in comparison to last fiscal year when the combined fund balance was \$4,934,052. This is an \$814,599 increase over last year, or 16.5%. The following are the major reasons for the changes in fund balances of the major Governmental Funds from the prior year.

- **GENERAL BASIC FUND:** The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenses are paid from this fund. The General Basic Fund ending fund balance was \$1,667,564. This is in comparison to last fiscal year when the fund balance was \$1,745,114. This is a \$77,550 decrease over last year, or 4.4%. For fiscal year 2008, expenditures totaled \$3,526,582 (fiscal year 2007 = \$3,246,491), an increase of \$280,091, or 8.6%; operating transfers out totaled \$86,010 (fiscal year 2007 = \$6,228), an increase of \$79,782, or 1,281.0% and revenues totaled \$3,520,260 (fiscal year 2007 = \$3,433,736), an increase of \$86,524, or 2.5%; other financing sources totaled \$14,782 (fiscal year 2007 = \$15,050), a decrease of \$268, or 1.8%. The levy for fiscal year 2008 was 3.50000 (fiscal year 2007 = 3.50000); the maximum amount allowed by law is 3.50000.
 - Current property tax revenues increased due to an increase in valuations.
 - Intergovernmental revenues and charges for service revenues increased during the fiscal year.
 - Expenditures in all related functions increased, except for capital projects, due largely to switching the cost of payroll taxes, IPERS and deferred comp to General Basic from General Supplemental and pay raises for employees.
 - General Basic transferred \$85,645 to the Secondary Roads Fund in fiscal year 2008. There were no transfers out to the Secondary Roads Fund done in fiscal year 2007.
- **GENERAL SUPPLEMENTAL FUND:** The General Supplemental Fund is used when the basic levy is not sufficient to meet the county's needs. Expenditures the board may certify for this fund are listed in Iowa Code Section 331.424. For fiscal year 2008, Lyon County used the General Supplemental Fund for the cost of health insurance. The General Supplemental Fund ending fund balance was \$279,516. This is in comparison to last fiscal year when the fund balance was \$193,509. This is an increase of \$86,007 from last year, or 44.4%. For fiscal year 2008, expenditures totaled \$515,000 (fiscal year 2007 = \$776,280), a decrease of \$261,280, or 33.7%, and

revenues totaled \$601,007 (fiscal year 2007 = \$600,941), an increase of \$66. The levy for fiscal year 2008 was 1.18221 (fiscal year 2007 = 1.19965).

- The levy decreased slightly due to an increase in valuations.
- Expenditures decreased due to the cost of payroll taxes, IPERS and deferred comp was moved from General Supplemental to General Basic for this fiscal year.
- **MENTAL HEALTH FUND:** The Mental Health Fund is used to account for property tax and other revenues designated to be used for mental health, mental retardation, and developmental disabilities services. The Mental Health ending fund balance was \$103,252. This is in comparison to last fiscal year when the fund balance was \$87,547. This is an increase of \$15,705 from last year, or 17.9%. For fiscal year 2008, expenditures totaled \$1,069,718 (fiscal year 2007 = \$985,661), an increase of \$84,057, or 8.5%, and revenues totaled \$1,085,423 (fiscal year 2007 = \$966,057), an increase of \$119,366, or 12.3%. The levy for fiscal year 2008 was 0.48887 (fiscal year 2007 = 0.49608.). The County continues to look for ways to effectively manage the cost of mental health services.
 - The increase in revenue was due to the allowable growth factor funds from the State of Iowa which is based on your GAAP fund balance.
 - Lyon County entered into a 28E Agreement with Osceola County in fiscal year 2004 to share a Central Point Coordinator. The 28E Agreement continues in fiscal year 2007 with Osceola County currently paying Lyon County 1/3 of the CPC salary including IPERS and FICA.
 - Mental health costs continue to get more expensive with the areas of chronic mental illness and mental retardation having the largest increases during the fiscal year.
- **RURAL SERVICES FUND:** The Rural Service Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas, including secondary road services, but excluding services financed by other statutory funds. The Rural Service ending fund balance was \$617,143. This is in comparison to last fiscal year when the fund balance was \$652,180. This is a \$35,037 decrease over last year, or 5.4%. For fiscal year 2008, expenditures totaled \$777,867 (fiscal year 2007 = \$734,596), an increase over last year of \$43,271, or 5.9%; operating transfers totaled \$1,119,740 (fiscal year 2007 = \$1,000,000), an increase of \$119,740, or 12.0%, and revenues totaled \$1,842,760 (fiscal year 2007 = \$1,843,702), a decrease of \$942; other financing sources totaled \$19,810 (fiscal year 2007 = \$10,036), an increase of \$9,774, or 97.4%. The levy for fiscal year 2008 was 3.41488 (fiscal year 2007 = 3.48500). The maximum allowed by law is 3.95000.
 - Beside tax dollars collected, local option sales tax is the other major revenue source that is deposited in this fund to reduce property taxes. Major expenditures in this fund are law enforcement patrol, libraries support and rural economic development dues.
 - Expenditures increased largely due to fiscal year 2008 being the first year for the new environmental/sanitarian department. Well closing and septic issues are dealt with in this department. The County Engineer's Office is doing the administration work for the environmental/sanitarian department.
 - Rural Service transferred \$1,119,740 to the Secondary Roads Fund in fiscal year 2008 and \$1,000,000 in fiscal year 2007.
- **SECONDARY ROADS FUND:** The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Secondary Roads ending fund balance was \$2,802,682. This is in comparison to last fiscal year when the fund balance was \$2,066,417. This is a \$736,265 increase

from last year, or 35.6%. For fiscal year 2008, expenditures totaled \$3,280,338 (fiscal year 2007 = \$3,667,642), a decrease from last year of \$387,304, or 10.6%; revenues totaled \$2,791,218 (fiscal year 2007 = \$2,859,804), a decrease of \$68,586, or 2.4%; transfers received totaled \$1,205,385 (fiscal year 2007 = \$1,000,000), an increase of \$205,385, or 20.5%; and other financing sources totaled \$20,000 (fiscal year 2007 = \$160,600), a decrease of \$140,600, or 87.5%.

- Revenues are down due to the prior fiscal year there was a large project reimbursement and insurance proceeds for damage to a truck.
 - There were some large trade-ins of equipment last year that resulted in the sale of capital assets revenue being larger last fiscal year.
 - The General Basic and Rural Services operating transfers in increased this fiscal year.
 - No major roadway construction projects were accounted for in fiscal year 2008. New equipment purchases were also down significantly from last fiscal year.
- **DEBT SERVICE FUND:** The Debt Service Fund is used to account for property tax and other revenue designed to retire debt. The Debt Service Fund pays for the interest and principal due on the 2001 Law Enforcement Center obligation bonds of \$2,800,000. The Debt Service Fund ending fund balance was \$9,954. This is in comparison to last fiscal year when the fund balance was \$11,929. This is a \$1,975 decrease from last year, or 16.6%. For fiscal year 2008, expenditures totaled \$249,285 (fiscal year 2007 = \$250,685), a decrease from last year of \$1,400, and revenues totaled \$247,310 (fiscal year 2007 = \$245,797), an increase from last year of \$1,513. This breaks down to tax collection and credits of \$244,285, interest income of \$3,025, principal payment of \$165,000, interest payments of \$83,885 and bond administration fees of \$400.
 - **OTHER SPECIAL REVENUE FUNDS:** The other Special Revenue Funds, which include REAP, Health Services Grants, County Government Assistance Fund, Recorder's Records Management, Tax Increment Financing, Sheriff's Asset Forfeiture, CS Projects & Land Acquisition Trust, Well Closing Trust, Economic Development and Attorney Incentive are classified as nonmajor Special Revenue Funds.

The Economic Development Fund helps to accomplish Lyon County's public purpose, which is to aggressively promote economic development with an economic development director. Lyon County and the majority of the cities in the county pay dues to fund this program. Current dues are based on the population figures from the last census; each entity's dues are \$10 per capita.

The CS Projects and Conservation Land Acquisition Trust Fund allows the Conservation Department to do projects at its parks and to buy land for conservation purposes. Conservation recently completed phase 2 on the recreation trail project at Lake Pahoja.

Budgetary Highlights

In accordance with Iowa Code Section 331.434, the Board of Supervisors annually adopt a budget following required public notice and hearing for all funds, except Internal Service and Agency Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Over the course of the year, Lyon County amended its budget two times. The first amendment was adopted October 22, 2007 and resulted in an increase in budgeted disbursements of \$29,445. The increase

was for phase 2 of the Lake Pahoja trail project and autopsy bills. Disbursements were in the amount of \$24,000 for the Lake Pahoja trail project with conservation receiving \$18,000 in donations revenue. The second amendment was adopted May 19, 2008 and resulted in an increase in revenue of \$219,530 and an increase in budgeted disbursements of \$308,980. Reasons for this amendment included a CDBG flow-through grant, health insurance costs, capital assets, payroll, ambulance billing services, April GIS flyover and the Mental Health Fund receiving state money were also factors.

Lyon County budgets on a cash accounting basis. In fiscal year 2008, Lyon County budgeted \$9,969,743 for receipts, \$10,363,365 for disbursements, and budgeted an ending cash balance of \$3,539,316. Lyon County actually finished the year with receipts of \$10,327,801, disbursements of \$9,673,285 and an ending cash balance of \$5,010,332. Actual receipts for charges for service, use of money and property, intergovernmental and miscellaneous came in significantly over budget. All functions actual totals came in below the amounts budgeted for disbursements.

Capital Assets and Debt Administration

Capital Assets

Lyon County concluded fiscal year 2008 with \$27,670,573 invested in a broad range of capital assets, including public safety equipment, buildings, park activities, roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Capital Assets of Governmental Activities at Year End		
	June 30, 2008	June 30, 2007
Land	\$ 1,490,009	1,490,009
Buildings & Improvements	6,424,069	6,424,069
Machinery, Equipment & Vehicles	8,613,526	8,496,347
Infrastructure	10,941,933	10,800,272
Construction in Progress	201,036	0
Total	<u>\$ 27,670,573</u>	<u>27,210,697</u>

This year's major asset additions included:

Ambulance – Defibrillator \$5,330
 Conservation – 2007 F150 Pickup \$26,232
 Conservation – 2005 GN 26' Trailer \$5,450
 Courthouse – IBM AS400 \$23,114
 Courthouse – IBM iseries/network \$5,229
 Courthouse – JaZee Mower \$5,704
 Courthouse – Pictometry Image Library \$47,658
 Courthouse – Centrex Phone System \$8,121
 Secondary Roads – 2008 Sterling Truck \$89,375
 Secondary Roads – 14' Sander \$12,700
 Secondary Roads – 411 Plow \$6,998
 Secondary Roads – 1998 Chevy Pickup \$8,000

Secondary Roads – Dump Truck \$42,839
 Secondary Roads – Yanmar Diesel Concrete Saw \$14,200
 Secondary Roads – Snow Plow \$7,150
 Secondary Roads – VerMeer 6040 Disc Mower \$7,650
 Secondary Roads – Bomag Roller \$29,325
 Secondary Roads – Culvert Project \$111,182
 Secondary Roads – Infrastructure \$141,661
 Sheriff – 2008 Chevy Impala \$26,130
 Sheriff – 2008 Chevy Impala \$26,130

The County had depreciation expense of \$1,029,472 in fiscal year 2008 and total accumulated depreciation of \$7,139,789 as of June 30, 2008.

Long-Term Debt

Lyon County issued general obligation bonds on November 1, 2001 in the amount of \$2,800,000 for the law enforcement center. The paying agent is Bankers Trust of Des Moines. On June 30, 2008, Lyon County's outstanding debt for general obligation bonds was \$1,885,000; compared to \$2,050,000 on June 30, 2007.

The County entered into a capital lease to purchase GPS survey equipment in fiscal year 2005. The equipment's original cost was \$40,100. The remaining balance on June 30, 2008 for this capital lease acquisition was \$0; compared to \$8,912 on June 30, 2007.

Lyon County had a 10 year interest free loan with the State of Iowa. The loan was for the expenses of the winter storms of 1996-1997 and was a Disaster Aid Loan. The original loan amount was \$221,865, dated July 17, 1998. On June 30, 2008, the remaining balance was \$0; compared to \$22,186 on June 30, 2007.

The County entered into a 10 year interest free promissory note for property purchased by the Conservation department for real estate in fiscal year 2002/2003. The promissory note was for \$18,220. The promissory note provides for annual principal payments on October 15 in the amount of \$1,822. On June 30, 2008, the remaining balance was \$9,110; compared to \$10,932 on June 30, 2007.

Outstanding Long-Term Debt of Governmental Activities at Year-End

	June 30, 2008	June 30, 2007
Disaster Aid Loan Payable	\$ 0	22,186
Land Loan Payable	9,110	10,932
Compensated Absences	190,498	188,230
Capital Lease Payable	0	8,912
General Obligation Bonds	1,885,000	2,050,000
Total	<u>\$ 2,084,608</u>	<u>2,280,260</u>

Lyon County does not have a general obligation bond rating, but according to the State Treasurer's Office, Lyon County's general obligation bonds were issued with insurance by MBIA; therefore the bonds assume MBIA's credit rating: A2. MBIA lost its top AAA rating in August 2008. The Constitution of the

State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. (This figure is 100% valuation less military exemptions). Lyon County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$35million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates (Fiscal Year 2009)

Lyon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Lyon County (December 2008) was at 3.1%. This compared with the State's (December 2008) unemployment rate of 4.4% and the national rate of 7.2%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's November 2008 CPI rate was 201.737 (November 2007 = 200.762). The national November 2008 CPI rate was 212.425 (November 2007 = 210.177). The State's CPI rate was 10.688 lower than the National CPI rate.

These indicators affect the adopted budget for fiscal year 2009. Total disbursements and transfers in the fiscal year 2009 operating budget is \$12,521,637, compared to \$11,230,690 in the original budget for fiscal year 2008; an increase of \$1,290,947, or 11.5%. Utility replacement and property tax dollars in the 2009 budget is \$4,293,910, compared to \$4,141,448 in 2008; an increase of \$152,462, or 3.7%. Countywide valuations (with utilities) for fiscal year 2009 are \$512,260,537, compared to \$507,524,208 in fiscal year 2008, an increase of \$4,736,329, or 0.9%. Rural valuations (with utilities) for fiscal year 2009 are \$377,334,835, compared to \$372,780,801 in fiscal year 2008, an increase of \$4,554,034, or 1.2%.

Budgeted disbursements for fiscal year 2009 are more than the original budgeted disbursements for fiscal year 2008. Budgeted transfers to the Secondary Roads Fund are \$86,444 from the General Basic Fund and \$1,133,419 from the Rural Services Fund; this is the maximum allowed by law. Health insurance costs increased 5%. Elected officials' salaries increased 7%; law enforcement employees received a 6%-14% increase in wages; Secondary Roads employees received a 4% increase in wages; and Economic Development received a 9% increase. Capital projects increased by \$824,228, which includes an increase in roadway construction by \$480,000, Conservation Land Acquisition of \$234,228 and General Basic for the ambulance building in the amount of \$110,000. After capital projects the largest increase in disbursements would be for public safety and legal services. Public safety and legal services increased by \$188,442, or 8%.

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. Lyon County is at the maximum levy rate and does levy in the General Supplemental Fund. The General Supplemental levy for fiscal year 2009 is 1.17128. The General Supplemental Fund is budgeted to be used for health insurance. The General Supplemental levy was decreased by 0.01093 compared to fiscal year 2008.

Iowa Code limits the Rural Services Basic levy rate to \$3.95 per \$1,000 of taxable value. Rural Services also has available a supplemental levy for expenditures if the maximum levy rate is met. Lyon County is below the maximum levy rate. The Rural Services levy is 3.71023; an increase of 0.29535 compared to fiscal year 2008.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Wayne Grooters
Lyon County Auditor
206 South 2nd Avenue
Rock Rapids, Iowa.
(712) 472-3713

Lyon County Board of Supervisors:

Stephen Michael	District #1	Term: 1-1-2007 to 12-31-2010
Merle Koedam	District #2	Term: 1-1-2005 to 12-31-2008
Mark Behrens	District #3	Term: 1-1-2005 to 12-31-2008
Randy Bosch	District #4	Term: 1-1-2007 to 12-31-2010
Craig Block	District #5	Term: 1-1-2007 to 12-31-2010

Sources: Unemployment: <http://www.iowaworkforce.org>
Consumer Price index (Bureau of Labor Statistics): <http://www.bls.gov>
State Auditor's Office: <http://auditor.iowa.gov>
Credit Rating: <http://www.bloomberg.com>

Lyon County
Basic Financial Statements

Lyon County
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Cash and Pooled Investments	\$ 6,035,671
Receivables:	
Property Tax:	
Delinquent	125
Succeeding Year	4,056,417
Tax Increment Financing:	
Succeeding Year	27,130
Interest and Penalty on Property Tax	42
Accounts	235,085
Accrued Interest	10,940
Due from Agency Funds	50,274
Due from Other Governments	590,941
Inventories	438,531
Prepaid Expenses	101,089
Prepaid Lease	74,127
Capital Assets (Net of Accumulated Depreciation)	20,530,784
Total Assets	32,151,156
Liabilities	
Accounts Payable	223,775
Accrued Interest Payable	6,352
Salaries and Benefits Payable	38,022
Due to Other Governments	160,191
Deferred Revenue:	
Succeeding Year Property Tax	4,056,417
Succeeding Year Tax Increment Financing	27,130
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Land Loan Payable	1,822
General Obligation Bonds	175,000
Compensated Absences	190,498

Lyon County

Statement of Net Assets

June 30, 2008

Liabilities (Continued)

Long-Term Liabilities (Continued):

Portion Due or Payable After One Year:

Land Loan Payable	7,288
General Obligation Bonds	1,710,000

Total Liabilities

6,596,495

Net Assets

Invested in Capital Assets, Net of Related Debt 18,636,674

Restricted for:

Supplemental Levy Purposes	279,528
Jail Improvements/Courthouse Security	118,157
Mental Health Purposes	101,813
Rural Services Purposes	591,182
Secondary Roads Purposes	2,890,010
Debt Service	3,607
Other Purposes	267,546

Unrestricted 2,666,144

Total Net Assets

\$ 25,554,661

Exhibit B

Lyon County

Statement of Activities

Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental Activities:					
Public Safety and Legal Services	\$ 2,265,187	610,891	78,792	0	(1,575,504)
Physical Health and Social Services	723,335	336,668	167,631	0	(219,036)
Mental Health	1,065,745	24,380	810,740	0	(230,625)
County Environment and Education	717,255	193,129	151,660	18,000	(354,466)
Roads and Transportation	3,620,980	57,741	2,905,620	318,452	(339,167)
Governmental Services to Residents	379,410	228,988	1,397	0	(149,025)
Administration	821,709	4,322	0	0	(817,387)
Non-Program Current	17,915	0	0	0	(17,915)
Interest on Long-Term Debt	83,743	0	0	0	(83,743)
Capital Projects	56,298	0	0	0	(56,298)
Total	\$ 9,751,577	1,456,119	4,115,840	336,452	(3,843,166)
General Revenues:					
Property and Other County Tax Levied for:					
General Purposes					3,692,616
Debt Service					231,114
Tax Increment Financing					17,915
Penalty and Interest on Property Tax					19,218
State Tax Credits					220,628
Local Option Sales Tax					442,135
Grants and Contributions Not Restricted to Specific Purpose					53,589
Unrestricted Investment Earnings					274,877
Rents					43,383
Gain on Disposal of Capital Assets					26,690
Miscellaneous					5,194
Total General Revenues					5,027,359
Change in Net Assets					1,184,193
Net Assets Beginning of Year					24,370,468
Net Assets End of Year					\$ 25,554,661

See notes to financial statements.

Lyon County

Balance Sheet
Governmental Funds

June 30, 2008

	General	Special Revenue			Nonmajor		
		Mental Health	Rural Services	Secondary Roads	Debt Service	Special Revenue	Total
Assets							
Cash and Pooled Investments	\$ 1,833,021	266,340	549,617	2,089,919	9,948	261,487	5,010,332
Receivables:							
Property Tax:							
Delinquent	103	11	0	0	11	0	125
Succeeding Year	2,260,552	232,156	1,324,615	0	239,094	0	4,056,417
Tax Increment Financing:							
Succeeding Year	0	0	0	0	0	27,130	27,130
Interest and Penalty on Property Tax	42	0	0	0	0	0	42
Accounts	219,460	1,154	196	5,879	0	400	227,089
Accrued Interest	10,940	0	0	0	0	0	10,940
Due from Agency Funds	49,459	0	0	0	0	815	50,274
Due from Other Governments	112,128	718	74,859	396,621	0	6,615	590,941
Inventories	5,323	41	60	433,107	0	0	438,531
Prepaid Expenditures	15,392	0	0	57,784	0	0	73,176
Prepaid Lease	0	0	0	74,127	0	0	74,127
Total Assets	\$ 4,506,420	500,420	1,949,347	3,057,437	249,053	296,447	10,559,124

Liabilities and Fund Balances

Liabilities:

Accounts Payable	\$ 44,030	27,729	7,338	43,978	0	537	123,612
Salaries and Benefits Payable	16,367	0	0	21,518	0	137	38,022
Due to Other Governments	14,172	136,559	251	9,106	0	103	160,191
Deferred Revenue:							
Succeeding Year Property Tax	2,260,552	232,156	1,324,615	0	239,094	0	4,056,417
Succeeding Year Tax Increment Financing	0	0	0	0	0	27,130	27,130
Other	224,219	724	0	180,153	5	0	405,101
Total Liabilities	2,559,340	397,168	1,332,204	254,755	239,099	27,907	4,810,473

Fund Balances:

Reserved for:

Supplemental Levy Purposes	279,516	0	0	0	0	0	279,516
Debt Service	0	0	0	0	9,954	0	9,954
Jail Improvements/Courthouse Security	22,734	0	0	0	0	0	22,734
Unreserved:	0						

Undesignated, Reported In:

General Fund	1,443,709	0	0	0	0	0	1,443,709
Special Revenue Funds	0	103,252	617,143	2,802,682	0	268,540	3,791,617
Designated For:							
Ambulance Replacements	100,000	0	0	0	0	0	100,000
Ambulance Purposes	1,121	0	0	0	0	0	1,121
Courthouse Purposes	100,000	0	0	0	0	0	100,000
Total Fund Balances	1,947,080	103,252	617,143	2,802,682	9,954	268,540	5,748,651

Total Liabilities and Fund Balances

\$ 4,506,420	500,420	1,949,347	3,057,437	249,053	296,447	10,559,124
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See notes to financial statements.

Lyon County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets

June 30, 2008

Total Governmental Fund Balances (pages 21-22)	\$ 5,748,651
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$27,670,573 and the accumulated depreciation is \$7,139,789.	20,530,784
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	405,101
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The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	961,085
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Long-term liabilities, including the accrued interest payable, land loan payable, general obligation bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<div style="border-top: 1px solid black; display: inline-block;">(2,090,960)</div>
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Net Assets of Governmental Activities (pages 18-19)	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 25,554,661</div>
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Lyon County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2008

	Special Revenue				Nonmajor		Total
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Special Revenue	
Revenues:							
Property and Other County Tax	\$ 2,250,505	234,975	1,649,215	0	231,109	0	4,365,804
Tax Increment Financing	0	0	0	0	0	17,915	17,915
Interest and Penalty on Property Tax	19,218	0	0	0	0	0	19,218
Intergovernmental	810,874	840,642	188,501	2,738,365	13,176	139,944	4,731,502
Licenses and Permits	39,323	0	4,570	3,925	0	0	47,818
Charges for Service	711,089	8,633	48	6,286	0	40,205	766,261
Use of Money and Property	284,385	0	0	75	3,025	4,143	291,628
Miscellaneous	5,873	1,173	426	42,567	0	41,957	91,996
Total Revenues	4,121,267	1,085,423	1,842,760	2,791,218	247,310	244,164	10,332,142

Expenditures:

Operating:

Public Safety and Legal Services	1,619,959	0	614,243	0	0	0	500	2,234,702
Physical Health and Social Services	721,100	0	23,279	0	0	0	103	744,482
Mental Health	0	1,069,718	0	0	0	0	0	1,069,718
County Environment and Education	453,547	0	138,644	0	0	0	100,220	692,411
Roads and Transportation	0	0	0	3,174,767	0	0	0	3,174,767
Governmental Services to Residents	371,736	0	1,701	0	0	0	3,634	377,071
Administration	875,240	0	0	0	0	0	0	875,240
Non-Program Current	0	0	0	0	0	0	17,915	17,915
Debt Service	0	0	0	31,098	249,285	0	0	280,383

Capital Projects	0	0	0	74,473	0	23,320	97,793
Total Expenditures	4,041,582	1,069,718	777,867	3,280,338	249,285	145,692	9,564,482
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,685	15,705	1,064,893	(489,120)	(1,975)	98,472	767,660
Other Financing Sources (Uses):							
Sale of Capital Assets	14,782	0	12,157	20,000	0	0	46,939
Operating Transfers In	0	0	7,653	1,205,385	0	365	1,213,403
Operating Transfers Out	(86,010)	0	(1,119,740)	0	0	(7,653)	(1,213,403)
Total Other Financing Sources (Uses)	(71,228)	0	(1,099,930)	1,225,385	0	(7,288)	46,939
Net Change in Fund Balances	8,457	15,705	(35,037)	736,265	(1,975)	91,184	814,599
Fund Balances Beginning of Year	1,938,623	87,547	652,180	2,066,417	11,929	177,356	4,934,052
Fund Balances End of Year	\$ 1,947,080	103,252	617,143	2,802,682	9,954	268,540	5,748,651

See notes to financial statements.

Lyon County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement of Activities

Year Ended June 30, 2008

Net Change in Fund Balances – Total Governmental Funds (pages 24-25) \$ 814,599

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets were exceeded by depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 427,814	
Capital assets contributed by the Iowa Department of Transportation	312,218	
Depreciation expense	<u>(1,029,472)</u>	(289,440)

In the Statement of Activities, the gains and losses on the disposition of capital assets are reported, whereas the governmental funds report only the proceeds from the disposition of capital assets as an increase in financial resources. (54,935)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property Tax	61	
Other	<u>232,592</u>	232,653

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. There were no current year debt issuances. Current year repayments were as follows:

Repaid		197,920
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(2,268)	
Interest on long-term debt	<u>543</u>	(1,725)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

285,121

Change in Net Assets of Governmental Activities (page 20) \$ 1,184,193

See notes to financial statements.

Lyon County
Statement of Net Assets
Proprietary Fund

June 30, 2008

	Internal Service - Employee Group Health
Assets	
Cash and Cash Equivalents	\$ 1,025,339
Accounts Receivable	7,996
Prepaid Expenses	27,913
Total Assets	<u>1,061,248</u>
Liabilities	
Accounts Payable	<u>100,163</u>
Net Assets	
Unrestricted	<u><u>\$ 961,085</u></u>

See notes to financial statements.

Lyon County

Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2008

		Internal Service - Employee Group Health
Operating Revenues:		
Reimbursements from Governmental Funds	\$	978,335
Reimbursements from Agency Fund (Assessor/Assessor – Special Appraisers)		44,520
Reimbursements from Current Employees		87,640
Reimbursements from Retired Employees		14,830
Insurance Reimbursements		37,589
Pharmacy Rebates		2,188
Total Operating Revenues		1,165,102
Operating Expenses:		
Medical Claims	\$ 606,742	
Insurance Premiums	281,640	
Administrative Fees	22,602	
Certification of Insurance	100	
Chapter 509A Filing Fee	925	
Miscellaneous Fees	40	912,049
Operating Income		253,053
Non-Operating Revenues:		
Interest Income		32,068
Net Income		285,121
Net Assets Beginning of Year		675,964
Net Assets End of Year	\$	961,085

See notes to financial statements.

Lyon County

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2008

		Internal Service - Employee Group Health
Cash Flows from Operating Activities:		
Cash Received from Governmental Fund Reimbursements	\$	978,335
Cash Received from Agency Fund Reimbursements		44,520
Cash Received from Current and Retired Employees		102,470
Cash Received from Insurance Reimbursements		42,924
Cash Received from Pharmacy Rebates		2,188
Cash Paid to Suppliers for Services/Charges	(970,293)
Net Cash Provided by Operating Activities		200,144
Cash Flows from Investing Activities:		
Interest on Investments		32,068
Net Increase in Cash and Cash Equivalents		232,212
Cash and Cash Equivalents Beginning of Year		793,127
Cash and Cash Equivalents End of Year	\$	1,025,339
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$	253,053
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Decrease in Accounts Receivable		5,334
Decrease in Prepaid Expenses		2,765
(Decrease) in Accounts Payable	(61,008)
Net Cash Provided by Operating Activities	\$	200,144

See notes to financial statements.

Lyon County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

Assets

Cash and Pooled Investments:

County Treasurer	\$	600,501
Other County Officials		48,523

Receivables:

Property Tax:

Delinquent		524
Succeeding Year		9,474,121

Tax Increment Financing:

Succeeding Year		289,680
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Accounts		18,259
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Due from Other Agency Funds		236
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Due from Other Governments		3,746
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Inventories		2,716
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Total Assets		10,438,306
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Liabilities

Accounts Payable		567
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Due to County Funds		50,274
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Due to Other Agency Funds		236
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Due to Other Governments		10,294,557
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Trusts Payable		80,484
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Compensated Absences		12,188
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Total Liabilities		10,438,306
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Net Assets	\$	0
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See notes to financial statements.

Lyon County

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Lyon County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. Appointed/hired officials and department heads that assist the Board of Supervisors include the Central Point Coordinator, Conservation Director, Engineer, Health Services Administrator and the Economic Development Director. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lyon County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), and the Northwest Iowa Contracting Consortium. Financial transactions of these

organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County for the Assessor, Joint E911 Service, and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), and the Northwest Iowa Contracting Consortium. During the year ended June 30, 2008, the County did not receive any revenue from or contribute any money to the Region III Hazardous Material Response Commission, the Lyon County Economic Development Consortium or the Northwest Iowa Contracting Consortium. The County paid \$460 to the Northwest Iowa Solid Waste Agency for paint and chemicals disposal, \$5,400 to YES for juvenile services provided and \$37,500 in support for the Emergency Management Services. The Joint E911 Service paid the County \$5,000 (\$7,000 during the fiscal year less \$2,000 recorded as a prior year due from the E911 Surcharge Agency Fund) for sign work, supplies and dispatching services; the Emergency Management Services paid the County \$2,400 for office space rent and \$690 for phone privileges; and the County Assessor contributed \$44,520 to the County's Internal Service Fund, Employee Group Health, to participate in the County's health insurance plan.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function.

Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general obligation bonds long-term debt.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a

liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, any claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of any general long-term debt and acquisitions under any capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to various funds, current employees and retired employees for health plan costs and insurance reimbursements. Operating expenses for the Internal Service Fund include the cost of services and administrative related expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost, the investment in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) where the cost and fair market value are considered equal and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax and Tax Increment Financing Receivables – Property tax and tax increment financing in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenues are deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which each is levied.

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; are based on January 1, 2006 assessed property valuations; are for the tax accrual period July 1, 2007 through June 30, 2008 and reflect the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Accounts Receivable – Accounts receivable represents money owed to the County, mainly for services provided by the County, that was not paid to the County as of June 30, 2008. The General Fund accounts receivable total includes \$144,260 in jail fees receivables and \$23,497 in ambulance charges receivables that were not collected within sixty days after year end. It is possible that a large portion of these jail fees and ambulance charges receivables may not be collected within one year.

Due from Agency Funds, Due from Other Agency Funds, Due to County Funds, and Due to Other Agency Funds – During the course of its normal operations, the County has numerous transactions between the County's governmental funds, the Employee Group Health Fund and agency funds, and between different agency funds. To the extent that certain transactions between the County's governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist mainly of expendable supplies held for consumption and some supplies available for resale. Inventories of governmental funds are recorded as expenses/expenditures when consumed or sold rather than when purchased. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale at the jail.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/ expenditures and prepaid lease represent a lease agreement, health insurance coverage and other expenses/expenditures that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, drainage systems and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Machinery and Equipment	3 – 15
Vehicles	3 – 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved or other requirements are met.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which they are levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours and compensatory time for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. A liability for the cost of vacation and compensatory time termination accumulations is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for the cost of vacation and compensatory time termination accumulations is reported in

governmental fund financial statements only for employees that have resigned or retired, which there were none for fiscal year ending June 30, 2008. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads and Economic Development Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of any debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose (including inmate room and board collections reserved for jail improvements/courthouse security in accordance with Chapter 356.7(5) of the Code of Iowa). Designations of fund balance represent tentative management plans that are subject to change. Designated equity reported in the governmental fund financial statements for the County is intended for the following purposes:

<u>Fund</u>	<u>Purpose</u>
General Fund	Specified for replacement of the ambulance building and of an ambulance vehicle, various ambulance purposes and courthouse repair/improvement projects.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any function or the amounts appropriated in any department; however, one department exceeded its allocated appropriation before the County Board of Supervisors properly allocated more of this department's appropriation.

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2008, the County had the following investments:

Type	Pool/Number	Maturity Date	Fair Value
FNMA	#58138	October, 2017	\$ 1,886
FHLMC	SER 2115 CL	January, 2029	102,482
FHLMC	SER 1570 CL	August, 2023	22,142
			<u>\$ 126,510</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,675,087 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in the Wells Fargo Advantage Government Money Market Fund (a money market mutual fund) with a carrying and fair value of \$17,952, that are not subject to risk categorization.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit risk. The County's FNMA and FHLMC investments at June 30, 2008 are rated Aaa by Moody's Investors service. The investments in the Iowa Public Agency Investment Trust and the Wells Fargo Advantage Government Money Market Fund are unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one type of investment or any single issuer, except for prime banker's acceptances and commercial paper. Each type of investment, prime banker's acceptances and commercial paper, at the time of purchase, is limited to ten percent of the total investment portfolio. No more than five percent of the total investment portfolio may be invested in the securities of a single issuer for prime banker's acceptances and commercial paper. Also, no more than five percent of the amount invested in commercial paper shall be invested in paper rated in the second highest classification. The County had no investments in prime banker's acceptances and commercial paper during the fiscal year ended June 30, 2008.

(3) Due from Agency Funds, Due from Other Agency Funds, Due to County Funds, and Due to Other Agency Funds

The detail of receivables and payables between the County's different governmental funds and agency funds and between different agency funds for transactions at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency:	
	County Offices (Recorder, Sheriff, Conservation)	\$ 39,902
	Auto License and Use Tax	9,557
Special Revenue:	Agency:	
County Recorder's Records Management	County Offices (Recorder)	815
Agency:	Agency:	
Other (Co. Recorder's Electronic Fee)	County Offices (Recorder)	<u>236</u>
Total		<u>\$ 50,510</u>

These balances result from the time lag between the dates money is collected in an agency fund, the transactions/collections are recorded in the accounting system, and the resulting payments are made to the County's appropriate governmental fund or agency fund.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Rural Services	Well Closing Trust	\$ 7,653
Secondary Roads	General	85,645
	Special Revenue:	
	Rural Services	1,119,740
County Attorney Incentive	General	<u>365</u>
Total		<u>\$ 1,213,403</u>

The Well Closing Trust Fund transferred its revenues for the fiscal year to the Rural Services Fund since all well closing related expenditures are now being paid by the Rural Services

Fund due to the new environmental/sanitarian area that was created. The General and Rural Services Fund transfers to the Secondary Roads Fund were generally to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The General Fund transfer to the County Attorney Incentive Fund was to move special district court fees revenue to the proper fund.

The County Assessor-Special Appraisers Agency Fund also transferred \$15,000 to the County Assessor Agency Fund to reimburse the County Assessor Fund for disbursements made for special appraisal purposes and to transfer unexpended balances remaining that were previously levied for allowable special appraisal projects.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,490,009	0	0	1,490,009
Construction in Progress	0	201,036	0	201,036
Total Capital Assets Not Being Depreciated	1,490,009	201,036	0	1,691,045
Capital Assets Being Depreciated:				
Buildings	5,946,862	0	0	5,946,862
Improvements Other Than Buildings	477,207	0	0	477,207
Machinery, Equipment and Vehicles	8,496,347	397,335	(280,156)	8,613,526
Infrastructure	10,800,272	141,661	0	10,941,933
Total Capital Assets Being Depreciated	25,720,688	538,996	(280,156)	25,979,528
Less Accumulated Depreciation For:				
Buildings	1,312,908	137,027	0	1,449,935
Improvements Other Than Buildings	223,130	21,411	0	244,541
Machinery, Equipment and Vehicles	4,102,956	479,111	(225,221)	4,356,846
Infrastructure	696,544	391,923	0	1,088,467
Total Accumulated Depreciation	6,335,538	1,029,472	(225,221)	7,139,789
Total Capital Assets Being Depreciated, Net	19,385,150	(490,476)	(54,935)	18,839,739
Governmental Activities Capital Assets, Net	20,875,159	(289,440)	(54,935)	20,530,784

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$ 165,004
Physical Health and Social Services	701

County Environment and Education	59,381
Roads and Transportation	748,531
Governmental Services to Residents	18,894
Administration	<u>36,961</u>

Total Depreciation Expense – Governmental Activities	<u>\$ 1,029,472</u>
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(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax and other county tax (including TIF) for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	<u>\$ 14,172</u>
Special Revenue:		
Mental Health	Services	136,559
Rural Services		251
Secondary Roads	Services	9,106
Economic Development	Services	<u>103</u>
		<u>146,019</u>
Total for Governmental Funds		<u>\$ 160,191</u>
Agency:		
County Offices	Collections	\$ 7,878
Agricultural Extension Education		147,201
County Assessor		147,572
County Assessor – Special Appraisers		145,592
Schools		6,721,448
Community Colleges		337,240
Corporations		2,248,968
Townships		176,931
Auto License and Use Tax		214,781
E911 Surcharge		97,707
E911 Operating		8,008
Emergency Management		37,764
All Other		<u>3,467</u>
Total for Agency Funds		<u>\$ 10,294,557</u>

(7) **Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Bonds	Compensated Absences	Disaster Aid Loan	Land Loan	Capital Lease	Total
Balance Beginning of Year	\$ 2,050,000	188,230	22,186	10,932	8,912	2,280,260
Increases	0	260,379	0	0	0	260,379
Decreases	165,000	258,111	22,186	1,822	8,912	456,031
Balance End of Year	\$ 1,885,000	190,498	0	9,110	0	2,084,608
Due Within One Year	\$ 175,000	190,498	0	1,822	0	367,320

Bonds Payable

A summary of the County's June 30, 2008 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.10%	175,000	77,285	252,285
2010	4.10%	185,000	70,110	255,110
2011	4.10%	190,000	62,525	252,525
2012	4.10%	200,000	54,735	254,735
2013	4.10%	210,000	46,535	256,535
2014	4.10%	215,000	37,925	252,925
2015	4.10%	225,000	29,110	254,110
2016	4.10%	235,000	19,885	254,885
2017	4.10%	250,000	10,250	260,250
Total		\$ 1,885,000	408,360	2,293,360

The general obligation bonds, which were issued for the new law enforcement center, were issued at a \$35,000 discount (total general obligation bonds issued = \$2,800,000; net proceeds = \$2,765,000). Taking into consideration the discount amount, the actual net interest rate is 4.219% on these bonds.

During the year ended June 30, 2008, the County retired \$165,000 of the general obligation bonds issued for the new law enforcement center, paid \$83,885 in interest and \$400 in bond administration fees. These general obligation bonds are being redeemed through the Debt Service Fund.

Disaster Aid Loan

The County received a Contingency Fund Loan from the State of Iowa on July 17, 1998 for \$221,865. The loan was for the excessive winter storms during 1997-1998. The loan carried a 0% interest rate and was to be paid back at \$22,186.50 per year for ten years. The County paid off the final \$22,186.50 remaining on the loan during the fiscal year ending June 30, 2008. The disaster aid loan proceeds were recorded in the Secondary Roads Fund and were repaid through the Secondary Roads Fund.

Land Loan Payable

During the fiscal year ended June 30, 2003, the County purchased real estate for conservation purposes for \$59,620. The County paid for most of the purchase price from the General Fund with a portion of the cost being set up to be paid as a promissory note to the seller. The note carries a 0% interest rate. The promissory note provides for payment of principal in the amount of \$1,822 on the 15th of each October until the note is satisfied. Payments of the \$1,822 are scheduled to be paid annually until October 15, 2012. The County paid off \$1,822 of the loan during the fiscal year ended June 30, 2008, resulting in a loan balance of \$9,110 on June 30, 2008. This loan is being satisfied through the General Fund.

Capital Lease Purchase Agreement

During the year ended June 30, 2005, the County entered into a capital lease purchase agreement to acquire GPS tracking equipment with a historical cost of \$40,100 through the Secondary Roads Fund. The GPS tracking equipment is included in the machinery, equipment and vehicles class. The lease agreement contained a 0% interest rate (the outright purchase price and the lease purchase price were equivalent per the County Engineer). Payments under this capital lease purchase agreement totaled \$8,912 from the Secondary Roads Fund for the year ended June 30, 2008. There are no payments remaining as of June 30, 2008 for this capital lease purchase.

(8) Conduit Community Economic Betterment Account (CEBA) Loan

The County was acting as a conduit agent for a CEBA loan between a local business in Lyon County and the Iowa Department of Economic Development. The award date for this CEBA Loan Agreement was September 18, 1997. The terms of the loan included a forgivable portion in the amount of \$26,250 with an interest rate of 6% for five years and an unforgivable portion in the amount of \$26,250 with an interest rate of 0% for ten years. The forgivable portion of the loan was dependent upon the business attaining certain requirements relating to job creation/retention. During the fiscal year ended June 30, 2008, the forgivable portion of the loan was determined to be \$16,250. On February 1, 2008, the unforgiven portion of \$10,000 was added to the \$6,563 balance remaining on the other portion of the note to create a new note for \$16,563. The new note carried an effective annual interest rate of 4.65% and was scheduled to be paid off in equal monthly payments of \$606.50 until August 1, 2009. The loan balance as of

June 30, 2007 was \$14,942. The entire loan balance of \$14,942 was satisfied by the local business during the fiscal year ended June 30, 2008.

The County's liability under this loan agreement was limited to those amounts which the County recovered from the business through its good faith enforcement of the security instruments executed by the business. Nothing limited the recovery of principal and interest by the Iowa Department of Economic Development from the County in the event of the County's failure to file, or improper or untimely filing, of any security instrument executed by the business, fraud, negligence or gross mismanagement in the application for, or use of, sums loaned. Based on the County's limited liability, the conduit CEBA loan was not reported on the County's financial statements. Due to the business satisfying the loan, the County's responsibility as the conduit agent has been satisfied and is complete.

(9) Operating Lease Arrangements

Fair Building

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. The County agreed to and paid for one-half of the building costs up to \$100,000 in 2000 (the County did pay the \$100,000).

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The \$74,127, reported as a prepaid lease asset in the Statement of Net Assets and the Balance Sheet (Governmental Funds) in the Secondary Roads Fund, represents the amortized value of the lease benefit remaining from July 1, 2008 until September 24, 2030.

Office Space in the Annex Building

The Secondary Roads Fund paid the General Fund \$12,000 during fiscal year ended June 30, 2008 for the County Engineer's department office space in the Lyon County annex building.

(10) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$228,751, \$215,236 and \$200,721, respectively, equal to the required contributions for each year.

(11) Risk Management

Lyon County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2008 were \$150,085.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$2,000,000, employee blanket bonding in the amount of \$200,000 and credit card forgery in the amount of \$25,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance from Hartford Insurance. The stop loss insurance coverage has a

maximum lifetime reimbursement amount of \$2,000,000 per eligible participant and an annual maximum aggregate reimbursement of \$1,000,000.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, stop loss insurance premiums, and claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contributions from governmental funds to this fund for the year ended June 30, 2008 were \$978,335. The County Assessor/County Assessor – Special Appraisers contributed \$44,520 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$100,163, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve was \$961,085 at June 30, 2008 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid medical claims beginning of fiscal year	\$ 161,171
Incurred medical claims (including medical claims incurred but not reported as of June 30, 2008):	
Current and prior year events	<u>606,742</u>
Payments:	
Current and prior year events	<u>667,750</u>
Unpaid medical claims end of fiscal year	<u>\$ 100,163</u>

The change in the provision for events of prior fiscal years for incurred claims and payments on claims attributable to events of prior fiscal years is not disclosed separately. This information is not available as it was not determined by the actuary while preparing the actuarial opinion.

(13) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, a political subdivision created in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste produced or generated from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2008, except for \$460 to dispose of paint and chemicals.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a "Local Government Guarantee" in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$1,915,013 as of June 30, 2008 and the portion of the liability that has been recognized by the Agency as of June 30, 2008 is \$1,001,699. The estimated remaining life of the landfill is 31 years and the capacity used at June 30, 2008 is approximately 53 percent. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2008, assets of \$1,376,261 are restricted for these purposes and the Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 111 of the Iowa Administrative Code. No estimate has been made as to any possible future assessments to the County.

(14) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. This agreement is in effect until June 30, 2017, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. The annual base charges for fiscal years ending June 30, 2009-2011 are \$9,988 per year for a total of \$29,964. In fiscal years ending June 30, 2012 and June 30, 2013, the annual base charge will be revised to adjust for program costs and the estimated U.S. Census Bureau data from 2010. In fiscal year ending June 30, 2014 to June 30, 2016, the annual base charge will be revised to adjust to the actual U.S. Census Bureau population figures from 2010. In fiscal year ending June 30, 2017, the annual base charge will be adjusted to reflect the estimated U.S. Census Bureau population data for 2015. Assuming no revisions to the agreement for program costs or population base, the annual base charges for fiscal years ending June 30, 2012-17 would be \$9,988 per year for a total of \$59,928. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid \$9,988 per the agreement during the fiscal year ended June 30, 2008.

The County has passed a resolution to continue support of the Family Crisis Center of Northwest Iowa at a minimum amount of \$2,500 per year through fiscal year ending June 30, 2010. The County's minimum commitment under this resolution for fiscal years ending June 30, 2009-2010 is \$5,000. The County paid \$2,500 out of the General Fund on this commitment during the fiscal year ended June 30, 2008.

The County entered into an agreement for the rental of a mailing system until June 30, 2011. The annual payment due in quarterly installments to be paid by the General Fund will be \$1,380 per year from July 1, 2008 to June 30, 2011 for a total amount of \$4,140. If specified budgetary funding criteria are not met by the County, this agreement can be terminated at the end of any fiscal year. The County paid \$1,380 out of the General Fund on this commitment during the fiscal year ended June 30, 2008.

In March 2008, the County agreed to reimburse the City of Rock Rapids 33% of costs incurred for construction improvements on a street. The estimated amount to the County per this agreement totals \$39,700. As of June 30, 2008, no costs had been incurred per this agreement. Payment to the City toward this agreement will be paid after the project is completed and the City bills the County for the County's share of the project costs.

In April 2008, the County entered into a contract totaling \$161,222 for roadway resurfacing. As of June 30, 2008, no costs had been incurred on the project. Payment for the project will be from the Secondary Roads Fund.

(15) Subsequent Events

Events that have occurred subsequent to June 30, 2008 include the following:

- a. In July 2008, the County paid \$153,837 from the Secondary Roads Fund on the completed roadway resurfacing project contract (this project was finalized for less than the agreed upon contract amount).
- b. In July 2008, the Lyon County Conservation Board agreed to purchase 61.8 acres of land from the Iowa Natural Heritage Foundation for \$166,860 plus tax proration, all closing costs and any other Foundation costs with respect to the acquisition and holding of this land. In August 2008, the County paid \$100,000 to the Foundation from the CS Projects & Conservation Land Acquisition Trust Fund toward this land purchase. In June 2009, the County paid \$71,289 to the Foundation toward this land purchase; \$26,000 was paid by the General Fund and \$45,289 was paid by the CS Projects and Conservation Land Acquisition Trust Fund.
- c. In September 2008, the County entered into a contract for the construction of a new ambulance garage for \$184,351. This contract will be paid from the General Fund.
- d. In November 2008, the County paid \$207,500 from the Secondary Roads Fund for the purchase of gravel.
- e. In December 2008, the County approved the purchase of a new motorgrader for \$201,498. The motorgrader is to be delivered in June 2009 and paid for in July 2009 by the Secondary Roads Fund.
- f. In March 2009, the County purchased an excavator for \$143,390. The excavator was paid for by the Secondary Roads Fund.
- g. In March 2009, the County paid \$104,826 from the Secondary Roads Fund for the purchase of gravel.

(16) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Lyon County
Required Supplementary Information

Lyon County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances–
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year Ended June 30, 2008

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and Other County Tax	\$ 4,378,473	4,392,348	4,392,348	(13,875)
Interest and Penalty on Property Tax	19,182	15,050	15,050	4,132
Intergovernmental	4,728,319	4,464,267	4,681,397	46,922
Licenses and Permits	48,941	48,835	48,835	106
Charges for Service	763,329	539,420	541,820	221,509
Use of Money and Property	300,866	231,843	231,843	69,023
Miscellaneous	88,691	40,450	58,450	30,241
Total Receipts	10,327,801	9,732,213	9,969,743	358,058
Disbursements:				
Public Safety and Legal Services	2,210,046	2,287,248	2,312,748	(102,702)
Physical Health and Social Services	744,396	776,612	791,612	(47,216)
Mental Health	1,030,592	998,191	1,104,391	(73,799)
County Environment and Education	689,266	733,198	736,348	(47,082)
Roads and Transportation	3,361,967	3,394,970	3,494,970	(133,003)
Governmental Services to Residents	373,284	399,579	414,509	(41,225)
Administration	867,643	907,597	946,297	(78,654)
Non-Program Current	17,915	17,335	127,915	(110,000)
Debt Service	280,383	280,575	280,575	(192)
Capital Projects	97,793	230,000	154,000	(56,207)
Total Disbursements	9,673,285	10,025,305	10,363,365	(690,080)
Excess (Deficiency) of Receipts Over (Under) Disbursements	654,516	(293,092)	(393,622)	1,048,138
Balances Beginning of Year	4,355,816	3,932,938	3,932,938	422,878
Balances End of Year	\$ 5,010,332	3,639,846	3,539,316	1,471,016

See accompanying independent auditor's report.

Lyon County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,327,801	4,341	10,332,142
Expenditures	9,673,285	(108,803)	9,564,482
Net	654,516	113,144	767,660
Other Financing Sources, Net	0	46,939	46,939
Beginning Fund Balances	4,355,816	578,236	4,934,052
Ending Fund Balances	\$ 5,010,332	738,319	5,748,651

See accompanying independent auditor's report.

Lyon County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except the Internal Service Fund and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and any Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$338,060. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2008, disbursements did not exceed the amount budgeted in any function or the amount appropriated in any department; however, one department exceeded its allocated appropriation before the County Board of Supervisors properly allocated more of this department's appropriation.

Lyon County
Other Supplementary Information

Lyon County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture	County Tax Increment Financing
Assets					
Cash and Pooled Investments	\$ 18,249	46,404	24,100	3,467	0
Receivables:					
Tax Increment Financing:					
Succeeding Year	0	0	0	0	27,130
Accounts Receivable	0	0	0	0	0
Due from Agency Funds	0	0	815	0	0
Due from Other Governments	0	0	0	0	0
Total Assets	\$ 18,249	46,404	24,915	3,467	27,130
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 0	0	0	0	0
Salaries and Benefits Payable	0	0	0	0	0
Due to Other Governments	0	0	0	0	0
Deferred Revenue:					
Succeeding Year Tax Increment Financing	0	0	0	0	27,130
Total Liabilities	0	0	0	0	27,130
Fund Equity:					
Fund Balances:					
Unreserved	18,249	46,404	24,915	3,467	0
Total Liabilities and Fund Balances	\$ 18,249	46,404	24,915	3,467	27,130

See accompanying independent auditor's report.

Schedule 1

CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Total
78,489	27,973	49,605	13,200	261,487
0	0	0	0	27,130
400	0	0	0	400
0	0	0	0	815
0	0	1,870	4,745	6,615
78,889	27,973	51,475	17,945	296,447
0	0	537	0	537
0	0	137	0	137
0	0	103	0	103
0	0	0	0	27,130
0	0	777	0	27,907
78,889	27,973	50,698	17,945	268,540
78,889	27,973	51,475	17,945	296,447

Lyon County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year Ended June 30, 2008

	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture	Health Services Grants
Revenues:					
Tax Increment Financing	\$ 0	0	0	0	0
Intergovernmental	0	13,506	0	0	0
Charges for Service	0	0	3,070	0	0
Uses of Money and Property	0	1,357	923	0	0
Miscellaneous	0	0	0	500	0
Total Revenues	0	14,863	3,993	500	0
Expenditures:					
Operating:					
Public Safety and Legal Services	0	0	0	500	0
Physical Health and Social Services	0	0	0	0	103
County Environment and Education	0	0	0	0	0
Governmental Services to Residents	0	0	3,634	0	0
Non-Program Current	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	0	0	3,634	500	103
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	14,863	359	0	(103)
Other Financing Sources (Uses):					
Operating Transfer In	0	0	0	0	0
Operating Transfer Out	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	14,863	359	0	(103)
Fund Balances Beginning of Year	18,249	31,541	24,556	3,467	103
Fund Balance End of Year	\$ 18,249	46,404	24,915	3,467	0

See accompanying independent auditor's report.

Schedule 2

County Tax Increment Financing	CS Project & Conservation Land Acquisition Trust	Well Closing Trust	Economic Development	County Attorney Incentive	Total
17,915	0	0	0	0	17,915
0	0	6,645	107,410	12,383	139,944
0	37,135	0	0	0	40,205
0	1,863	0	0	0	4,143
0	18,000	1,008	22,449	0	41,957
17,915	56,998	7,653	129,859	12,383	244,164
0	0	0	0	0	500
0	0	0	0	0	103
0	0	0	100,220	0	100,220
0	0	0	0	0	3,634
17,915	0	0	0	0	17,915
0	23,320	0	0	0	23,320
17,915	23,320	0	100,220	0	145,692
0	33,678	7,653	29,639	12,383	98,472
0	0	0	0	365	365
0	0	(7,653)	0	0	(7,653)
0	0	(7,653)	0	365	(7,288)
0	33,678	0	29,639	12,748	91,184
0	45,211	27,973	21,059	5,197	177,356
0	78,889	27,973	50,698	17,945	268,540

Lyon County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers	Schools	Community Colleges
Assets						
Cash and Pooled Investments:						
County Treasurer	\$ 0	2,016	28,463	22,776	87,933	4,521
Other County Officials	48,523	0	0	0	0	0
Receivables:						
Property Tax:						
Delinquent	0	7	6	6	288	15
Succeeding Year	0	145,178	130,659	122,810	6,633,227	332,704
Tax Increment Financing:						
Succeeding Year	0	0	0	0	0	0
Accounts	654	0	0	0	0	0
Due from Other Agency Funds	0	0	0	0	0	0
Due from Other Governments	0	0	0	0	0	0
Inventories	1,635	0	1,081	0	0	0
Total Assets	\$ 50,812	147,201	160,209	145,592	6,721,448	337,240
Liabilities						
Accounts Payable	\$ 0	0	449	0	0	0
Due to County Funds	40,717	0	0	0	0	0
Due to Other Agency Funds	236	0	0	0	0	0
Due to Other Governments	7,878	147,201	147,572	145,592	6,721,448	337,240
Trusts Payable	1,981	0	0	0	0	0
Compensated Absences	0	0	12,188	0	0	0
Total Liabilities	\$ 50,812	147,201	160,209	145,592	6,721,448	337,240

See accompanying independent auditor's report.

Schedule 3

Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating	Emergency Management	Advance Tax Collections	Other	Total
25,601	2,567	224,338	80,192	8,008	34,046	73,414	6,626	600,501
0	0	0	0	0	0	0	0	48,523
202	0	0	0	0	0	0	0	524
1,933,485	174,364	0	0	0	0	0	1,694	9,474,121
289,680	0	0	0	0	0	0	0	289,680
0	0	0	17,605	0	0	0	0	18,259
0	0	0	0	0	0	0	236	236
0	0	0	0	0	3,746	0	0	3,746
0	0	0	0	0	0	0	0	2,716
2,248,968	176,931	224,338	97,797	8,008	37,792	73,414	8,556	10,438,306
0	0	0	90	0	28	0	0	567
0	0	9,557	0	0	0	0	0	50,274
0	0	0	0	0	0	0	0	236
2,248,968	176,931	214,781	97,707	8,008	37,764	0	3,467	10,294,557
0	0	0	0	0	0	73,414	5,089	80,484
0	0	0	0	0	0	0	0	12,188
2,248,968	176,931	224,338	97,797	8,008	37,792	73,414	8,556	10,438,306

Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year Ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	County Assessor- Special Appraisers
Assets and Liabilities				
Balances Beginning of Year	\$ 61,064	145,982	169,240	117,252
Additions:				
Property and Other County Tax (Including TIF)	0	145,280	130,751	122,870
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,221	7,399	4,698
Intergovernmental Replacements, Grants and Revenues	0	97	87	55
Contribution from Lyon County	0	0	0	0
Transfer from Special Appraisers Fund	0	0	15,000	0
Office Fees and Collections	289,035	0	1,137	0
Elections	9,790	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	10,490	0	0	0
Interest	72	0	0	0
Total Additions	309,387	153,598	154,374	127,623
Deductions:				
Agency Remittances:				
To Other Funds	162,163	0	31,545	27,975
To Other Governments	147,580	152,379	131,860	71,308
Trusts Paid Out	9,896	0	0	0
Total Deductions	319,639	152,379	163,405	99,283
Balances End of Year	\$ 50,812	147,201	160,209	145,592

Schedule 4

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Surcharge	E911 Operating
6,683,738	327,356	2,169,920	170,623	256,844	123,839	8,008
6,278,697	332,933	2,226,886	174,362	0	0	0
0	0	0	0	0	71,378	0
358,710	18,439	123,167	9,097	0	0	0
4,191	217	2,953	63	0	22,937	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	2,684,985	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	4,452	0
6,641,598	351,589	2,353,006	183,522	2,684,985	98,767	0
7,000	0	0	0	108,070	0	0
6,596,888	341,705	2,273,958	177,214	2,609,421	124,809	0
0	0	0	0	0	0	0
6,603,888	341,705	2,273,958	177,214	2,717,491	124,809	0
6,721,448	337,240	2,248,968	176,931	224,338	97,797	8,008

Schedule 4 (Continued)

Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year Ended June 30, 2008

	Emergency Management	Advance Tax Collections	Other	Total
Assets and Liabilities				
Balances Beginning of Year	\$ 32,644	79,441	19,589	10,365,540
Additions:				
Property and Other County Tax (Including TIF)	0	0	1,692	9,413,471
E911 Surcharge	0	0	0	71,378
State Tax Credits	0	0	96	529,827
Intergovernmental Replacements, Grants and Revenues	13,023	0	1	43,624
Contribution from Lyon County	37,500	0	0	37,500
Transfer from Special Appraisers Fund	0	0	0	15,000
Office Fees and Collections	0	0	0	290,172
Elections	0	0	0	9,790
Electronic Transaction Fee	0	0	3,070	3,070
Auto & Drivers Licenses, Use Tax and Postage	0	0	0	2,684,985
Assessments	0	0	16,482	16,482
Trusts	0	78,996	105,484	194,970
Interest	0	0	3	4,527
Total Additions	50,523	78,996	126,828	13,314,796
Deductions:				
Agency Remittances:				
To Other Funds	3,090	0	0	339,843
To Other Governments	42,285	0	22,133	12,691,540
Trusts Paid Out	0	85,023	115,728	210,647
Total Deductions	45,375	85,023	137,861	13,242,030
Balances End of Year	\$ 37,792	73,414	8,556	10,438,306

See accompanying independent auditor's report.

Lyon County

Schedule of Revenues by Source and Expenditures by Function –
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2008	2007	2006	2005	2004	2003
Revenues:						
Property and Other County Tax	\$	4,365,804	4,347,480	4,116,834	3,928,576	3,953,748
Tax Increment Financing		17,915	17,213	14,797	14,190	261
Interest and Penalty on Property Tax		19,218	22,041	19,738	17,152	15,291
Intergovernmental		4,731,502	4,609,589	4,335,191	4,287,056	4,808,141
Licenses and Permits		47,818	49,094	47,705	41,479	38,800
Charges for Service		766,261	699,946	581,167	575,013	586,045
Use of Money and Property		291,628	311,459	245,570	181,556	125,310
Miscellaneous		91,996	208,452	119,583	48,906	63,215
Total	\$	10,332,142	10,265,274	9,480,585	9,093,928	9,590,811
						7,917,615

Expenditures:

Operating:

Public Safety and Legal Services	\$	2,234,702	2,134,146	1,967,122	1,735,753	1,683,355
Physical Health and Social Services		744,482	685,546	625,689	577,077	610,516
Mental Health		1,069,718	985,661	914,771	929,935	839,397
County Environment and Education		692,411	660,724	487,539	436,917	450,422
Roads and Transportation		3,174,767	3,452,833	3,393,828	3,085,781	2,645,446
Governmental Services to Residents		377,071	335,089	443,417	321,632	289,005
						268,630

Administration	875,240	803,685	752,959	714,501	692,475	765,681
Non-Program Current	17,915	17,213	14,797	16,190	627,685	86,576
Debt Service	280,383	286,239	287,438	279,527	275,772	276,372
Capital Projects	97,793	451,859	845,786	636,410	432,796	891,803
Total	\$ 9,564,482	9,812,995	9,733,346	8,733,723	8,546,869	8,962,801

See accompanying independent auditor's report.

Lyon County

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials of Lyon County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Lyon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Lyon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lyon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lyon County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Lyon County's financial statements that is more than inconsequential will not be prevented or detected by Lyon County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lyon County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-A, E, G, I, M, N and O are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lyon County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Lyon County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lyon County and other parties to whom Lyon County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lyon County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble & Company PC

De Noble & Company PC
Certified Public Accountants

June 25, 2009

Lyon County
Schedule of Findings

Lyon County
Schedule of Findings
Year Ended June 30, 2008

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

08-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted a lack of segregation of duties over financial transactions, record-keeping, reconciling functions and financial reporting in several offices. This comment also applies, as applicable, to the County Assessor, County Extension, Emergency Management and E911.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation that should be retained, to the cash receipt records and to the actual deposit made by an independent person.
- b) Bank accounts should be reconciled and reviewed promptly at the end of each month by individuals who do not sign checks, handle or record cash.
- c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records.
- d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order. The person responsible for making sure all items ordered are received and the proper amounts are charged should be separate from the purchasing and cash disbursement functions.
- e) Authorization of transactions, handling of source documents, custody of assets and the responsibility for long-term debt recordkeeping should be segregated. Payroll recordkeeping (including compensated absences) should be done by persons who are independent of the payroll disbursement functions.
- f) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

- g) Billings for services, the recordkeeping of accounts receivable, and the handling of cash receipts should be segregated. The billing rates should be verified by independent individuals.
- h) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. Dual signatures should be required on all checks. Procedures need to be established to ensure that both of the individuals whose signature is on the check have reviewed the supporting documentation for the check and approve issuing the check.
- i) The payroll should be verified by independent individuals. Only individuals who are independent of the payroll (including payroll disbursements) process should have access to change the payroll rates.
- j) The persons who are responsible for cash disbursements should be segregated from ledger entry in the accounting records.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will have each office evaluate these recommendations. We will attempt to develop strategies to implement each of the recommendations as economically practicable within each office.

Conclusion – Response accepted. It is important that you attempt to implement these recommendations.

08-B Accounting Procedures Manual – The County does not have updated accounting procedures manuals for all aspects of the County's accounting systems (mainly some of the individual offices).

Recommendation – Updated accounting procedures manuals should be prepared and implemented for all aspects of the County's accounting systems.

Response – We will have each applicable office work on creating/updating an accounting procedures manual for their accounting system.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

- 08-C Written Job Descriptions – Lyon County does not have written job descriptions for each employee that have been approved by the Board of Supervisors.

Recommendation – For the benefit of the County and its employees, the County should consider establishing written job descriptions for each employee delineating specific duties, reporting relationships, and constraints. These job descriptions need to be approved by the Board of Supervisors.

Response – We will have the Board of Supervisors approve written job descriptions after the County Attorney has finished reviewing all of the written job descriptions.

Conclusion – Response accepted. Please have the County Attorney make sure that written job descriptions are approved by the Board of Supervisors.

- 08-D Prevention Controls Review – Prevention controls need to be reviewed specifically at the County Conservation Office, but it would be beneficial for all offices to review.

Recommendation – Prevention controls (example: smoke detectors should be considered for fire prevention and detection) should be reviewed for adequacy.

Response – We will review our prevention controls and take any necessary steps that are deemed needed at each location.

Conclusion – Response accepted. Please do review prevention controls at each of the County's locations.

- 08-E Capital Assets – Capital assets are not being marked for identification purposes.

Recommendation – On a yearly basis, an independent person should be responsible for verifying the existence of the capital assets under each office's control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We will stress the need for security over capital assets until we can get your recommendation implemented.

Conclusion – Response accepted. Please attempt to begin working on implementing this recommendation.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

08-F Off-Site Storage of Computer Data – All offices should have as a standard policy or procedure the off-site storage of computer backup data.

Recommendation – Computer backups need to be done for all important computer data on a regular basis and this backed up data should be stored at an off-site location.

Response – We will stress that each office evaluate and implement this recommendation.

Conclusion – Response accepted. Please do have each office implement this recommendation.

08-G Job Rotations – Financial personnel's duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person's duties should be done by another employee when a person is on vacation. Employees should be cross-trained to be able to perform a fellow employee's duties.

Response – We will have each office work on rotating duties and cross-training.

Conclusion – Response accepted. Please do have each office attempt to implement this recommendation.

08-H Usage of County Vehicles – When using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling are not always noted on the credit card receipt. Vehicle/machinery mileage should be compared to fuel consumption on a regular basis.

Recommendation – Per the County's employee handbook, when using County credit cards for fueling, the vehicle's identification and the mileage at the time of fueling should always be noted on the credit card receipt. Mileage and fuel logs should be kept on each vehicle/piece of machinery and tested against the fuel charged to each vehicle/piece of machinery to verify reasonableness of mileage per gallon. Each department needs to develop procedures to ensure this recommendation is implemented.

Response – We will have the appropriate departments address this.

Conclusion – Response accepted. Please make sure the appropriate departments develop procedures to implement this recommendation.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

08-I Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions in certain offices when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- requiring password changes on computers not connected to the mainframe because the software does not require the user to change log-ins/passwords periodically.
- Requiring the password to use multiple characters on the keyboard.

Recommendation – Written policies should be developed addressing the above procedures in order to improve the control over computer based systems.

Response – We will address these computer related issues with the individual offices and our software provider.

Conclusion – Response accepted. Please attempt to implement these recommendations.

08-J Payroll Issues – The County does not have any formal written employee performance evaluation process.

An employee was allowed to earn and take time off for comp time hours despite not being eligible for comp time per his employment agreement.

Recommendation – The County should consider implementing a formal written employee performance evaluation process. The results of the employee evaluations should be reviewed with the Board of Supervisors.

Comp time should only be allowed to be earned and taken in accordance with the approved policy/agreement unless approval otherwise is given by the controlling Board. This approval should be documented in the controlling Board's minutes.

Please discuss these issues with the County Attorney.

Response – The Board of Supervisors will consider the written employee evaluation issue. The Board of Supervisors has already addressed the comp time issue.

Conclusion – Response accepted.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

- 08-K Information Technology Planning – The County has not developed a formal long range plan that addresses future information technology needs for all aspects of County operations.
- Recommendation – The County should consider developing a formal long range plan that addresses future information technology needs for all aspects of County operations.
- Response – The Board of Supervisors will consider this recommendation.
- Conclusion – Response accepted.
-
- 08-L Confidential Law Enforcement Investigation Purposes – All cash funds and disbursements for confidential law enforcement investigation purposes were not under dual control. Written records of these funds were not reviewed regularly.
- Recommendation – The County Attorney, or at least one other independent individual, and a law enforcement employee should cooperate and establish a system to administer all cash funds and disbursements for confidential law enforcement investigation purposes. The written records of these funds should be reviewed regularly by the County Attorney or another independent individual.
- Response – We will have the Sheriff's Office and County Attorney address this.
- Conclusion – Response accepted.
-
- 08-M Reconciliation of Jailstay Billings – A proper reconciliation of beginning jailstay receivables, new billings, payments received, write-offs and ending jailstay receivables was not prepared and compared to a detailed subsidiary listing of jailstay receivables.
- Recommendation – Procedures should be established between the Sheriff's Office and the Clerk of Courts to reconcile in writing beginning jailstay receivables, new billings, payments received, write-offs and ending jailstay receivables. This written reconciliation needs to agree with a detailed subsidiary listing of jailstay receivables.
- Response – We will have the Sheriff's Office address this.
- Conclusion – Response accepted. Please have the Sheriff's Office and the Clerk of Courts work on establishing these records
-
- 08-N Financial Reporting – During the audit, we identified material amounts of assets, liabilities, revenues and expenses/expenditures not recorded properly in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

Recommendation – The County should implement procedures to ensure all assets, liabilities, revenues and expenses/expenditures are identified and included in the County’ financial statements. Management should be reviewing the financial records on a regular basis to help ensure the accuracy of the financial records.

Response – We will review our procedures to identify areas where we can improve on our financial records.

Conclusion – Response accepted. Please do review your procedures.

- 08-O Management Procedures – Based on findings during the audit, we identified that there appears to be a lack of oversight by management over developing internal control, compliance and antifraud procedures; monitoring existing procedures that are in place to ensure the procedures are enforced; and communicating the County’s expected ethics.

Recommendation – County management needs to establish policies and procedures that ensure effective internal control, compliance and antifraud procedures are in place and monitored on a regular basis. County management also needs to communicate the County’s expected ethics and hold County employees accountable to those expected ethics.

Response – We will address your recommendations.

Conclusion – Response accepted.

- 08-P Commissary Records – The commissary accounting records do not present receipts and disbursements by account classification.

Recommendation – The commissary accounting system should be designed and maintained to present receipts and disbursements by account classification in order to allow accurate financial statement preparation and analysis.

Response – We will have the Sheriff’s Office work on implementing your recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- 08-1 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amount budgeted in any of the functions or the amount appropriated in any of the departments; however, one department exceeded its allocated appropriation before the County Board of Supervisors properly allocated more of this department's appropriation.

Recommendation – The Board of Supervisors should properly allocate department appropriations by resolution in accordance with Chapter 331.434(6) of the Code of Iowa before disbursements are allowed to exceed the amount of the department appropriations previously allocated by resolution.

Response – We will make sure the department appropriations do not exceed the allocated amount of department appropriations approved by resolution to-date by the Board of Supervisors.

Conclusion – Response accepted.

- 08-2 Questionable Expenditures – Certain expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

The County paid \$318 for ambulance personnel to host a Christmas party, \$139 for a retirement gift for an employee, \$336 for cable television in order to have access to local weather reports, \$648 for shirts for the Supervisors and some employees/officials, late fees incurred on several claims, \$50 in overweight baggage charged by an airline for an official, there appears to be personal usage of cell phones (verbal and texting) for which the County isn't being reimbursed, \$45 for food for Board of Health meetings, a couple of reimbursements to an employee for meals for two with no documentation on who the second person was, a couple of reimbursements for alcohol and gratuities which the County has a policy to not reimburse for, several meal charges were allowed to an employee which were in excess of the \$25 daily limit on meals, and the only support for some credit card charges was a copy of the credit card slip (there was no additional supporting documentation/invoice).

Please also see "Findings Related to the Financial Statements: 08-H" for a possible related comment.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

Recommendation – The Board of Supervisors needs to enforce the County’s written policies and should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation. All credit card charges, including employee meal charges, should be supported by an actual receipt/invoice that supports the charge in detail.

Response – We will address your recommendation and take appropriate actions.

Conclusion – Response accepted. It is important that these issues are addressed.

08-3 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Other Findings Related to Required Statutory Reporting: 08-2” for a possible related comment.

08-4 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deep Clean Inc., Jennifer Smit’s Husband is a Shareholder, Auditor’s Office Clerk	Custodial services	\$ 12,196
Todd Reinke, Owner of Todd’s True Value, Conservation Board Member	Supplies	1,474
Stewart Construction Inc., Leigh Stewart’s Husband is a Shareholder, Jailer	Supplies	109
Scotty’s Paint & Body, Sandy Wissink’s Husband is the Owner, Dispatcher	Vehicle repairs and towing	799

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Todd’s True Value, Stewart Construction Inc. and Scotty’s Paint & Body do not appear to represent conflicts of interest since the total transactions with each were less than \$1,500 during the fiscal year. The transactions with Deep Clean Inc. do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding.

08-5 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

- 08-6 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not, except the County was not properly reporting and publishing the payroll related claims that are not employee wages (health insurance, deferred compensation, payroll taxes, IPERS, flex spending, etc...) in the Board minutes until October 1, 2007. Also, we noted there were instances where items were discussed/approved that weren't readily apparent based on the tentative agenda.

Recommendation – The County should be reporting and publishing all of the payroll related claims that are not employee wages in the Board minutes in order to comply with Chapter 349.18 of the Code of Iowa. Also, the County should consult with the County Attorney to ensure proper public notice is being provided in accordance with Chapter 21.4 of the Code of Iowa.

Response – We have implemented the reporting and publishing of payroll related claims. We will discuss the tentative agenda issue with the County Attorney.

Conclusion – Response accepted.

- 08-7 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- 08-8 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- 08-9 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted; however, the April 2008 budget amendment was not published timely. The publication was only eight days before the public hearing.

The County Extension needs to review the "Findings Related to the Financial Statements" for reportable conditions that relate to the Extension or could improve the Extension's internal control also.

The maximum deposit amount stated in the resolution naming official depositories for US Bank was exceeded from August 7, 2007 through August 22, 2007 and December 21, 2007 through December 26, 2007.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

The Extension was reimbursing an employee mileage tax free for evening meetings for miles driven from the employee's home rather than for miles driven from the Extension's Office.

A detailed statement of receipts and disbursements was published; however, the purpose of each disbursement was not published.

Recommendations – All budget publications require that notice of the public hearing on budget amendments must be published not less than ten nor more than twenty days before the hearing.

A new resolution in an amount sufficient to cover the anticipated balance at US Bank should be adopted by the Extension Council.

Reimbursements to an employee for commuting mileage are taxable and should be included on the employee's W-2 income.

The purpose of each disbursement needs to be published in accordance with Chapter 176A.8(14) of the Code of Iowa.

Response – We will attempt to implement your recommendations in a suitable manner.

Conclusion – Response accepted.

08-10 Internal Revenue Service Reporting Compliance – The County is currently not reporting on employees' W-2s the non-cash taxable fringe benefit for any personal use, including commuting, of County provided vehicles that do not qualify as non-personal use vehicles and cell phones in accordance with Internal Revenue Service standards.

Recommendation – The County should be determining the actual value of these fringe benefits for each employee and include this taxable value on the employee's W-2 income.

Response – We will evaluate this compliance issue.

Conclusion – Response accepted. The County should comply with the Internal Revenue Service Code.

08-11 Compensation Board Meeting – Public notice was not provided for the Compensation Board's January 2008 meeting.

Recommendation – The Compensation Board meeting should be preceded by proper public notice in accordance with Chapter 21.4 of the Code of Iowa. Notice should be given of the time, date and place of each meeting, and its tentative agenda, in a manner reasonably calculated to apprise the public of that information.

Lyon County
Schedule of Findings
Year Ended June 30, 2008

Response – We will give the proper notice in the future for the Compensation Board.

Conclusion – Response accepted.

- 08-12 Lyon County Economic Development Board Minutes – The Lyon County Economic Development Board minutes were not always made available to the newspaper within twenty days following a meeting or filed with the County Recorder.

Recommendation – All Board meeting minutes should be filed in accordance with House File 808. The Board meeting minutes should be filed with the Lyon County Recorder in an electronic format. The County Recorder should make the submitted minutes available to the public.

Response – We will have this Board implement your recommendation.

Conclusion – Response accepted.

- 08-13 Veteran Affairs and Lyon County Economic Development Board Minutes – The vote of each member is not identifiable in the Veteran Affairs and Lyon County Economic Development Board meeting minutes.

Recommendation – The vote of each member should be identifiable in accordance with Chapter 21 of the Code of Iowa.

Response – We will have these Boards implement your recommendation.

Conclusion – Response accepted.

- 08-14 Compilation of Ordinances – The County has not within the last five years compiled a code of ordinances containing all of the County ordinances in effect.

Recommendation – The County should compile ordinances as required by Chapter 331.302(9) of the Code of Iowa. Ordinances should be compiled within every five years.

Response – We will compile a code of ordinances and make sure the compilation of ordinances gets done timely in the future.

Conclusion – Response accepted.

Lyon County
Listing of Auditors

This audit was performed by:

David De Noble, CPA, Senior Auditor
Carmen Austin, CPA, Senior Auditor
James Fisher, CPA, Senior Auditor
Stephenie Korthals, Assistant Auditor
Johnna Ahrendt, Assistant Auditor

De Noble & Company PC
Certified Public Accountants